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THE BABCOCK & WILCOX COMPANY

SIXTY-NINTH

Annual Report

FOR THE CALENDAR YEAR 1949

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ANNUAL REPORT

1949

THE BABCOCK & WILCOX COMPANY

NEW YORK

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DIRECTORS

A. G. PRATT, *Chairman*

E. G. BAILEY
ALFRED IDDLES
PAUL D. MERICA
C. W. MIDDLETON
STODDARD M. STEVENS
B. A. TOMPKINS
JOHN C. TRAPHAGEN

OFFICERS

ALFRED IDDLES	*President*
E. G. BAILEY	*Vice President*
J. H. KING	*Vice President*
A. M. KOHLER	*Vice President*
W. T. MCCULLOUGH, JR.	*Vice President*
L. S. WILCOXSON	*Vice President*
ALAN E. PHIN	*Vice President and Comptroller*
W. G. DRYDEN	*Secretary and Treasurer*
P. H. FORBES	*Asst. Comptroller and Asst. Secretary*

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General Offices
85 LIBERTY STREET, NEW YORK 6

Stock Transfer Agent
BANKERS TRUST CO., 16 WALL ST., NEW YORK 15

Registrar
THE NEW YORK TRUST CO., 100 BROADWAY, NEW YORK 15

General Counsel
SULLIVAN & CROMWELL

Auditors
PRICE, WATERHOUSE & CO.

THE BABCOCK & WILCOX COMPANY

ANALYSIS OF 1949 CONSOLIDATED OPERATIONS

	Total Dollars	Cents per Dollar of Shipments
The sales value of products shipped to customers was	$153,505,552	100.0
Costs and expenses were as follows:		
Materials and services purchased	79,455,646	51.8
Payrolls, pensions, social security taxes, workmen's compensation and group insurance	55,453,741	36.1
Taxes — federal, state and local	7,680,730	5.0
Depreciation of plant and equipment (wear and tear)	1,284,393	.8
Total costs and expenses were	143,874,510	93.7
Income from operations was	9,631,042	6.3
Income from investments less taxes amounted to	1,124,328	
Income for the year was	10,755,370	
Dividends declared amounted to	4,937,724	
Income retained in the business, was	$ 5,817,646	
The Company spent for new buildings and equipment	$ 2,402,386	
Number of shares of capital stock outstanding end of year	705,558	
Number of stockholders end of year	3,892	
Average number of employees during the year	14,182	

THE BABCOCK & WILCOX COMPANY

New York, N. Y.
February 23, 1950

To the Stockholders of

THE BABCOCK & WILCOX COMPANY:

THE Sixty-Ninth Annual Report of The Babcock & Wilcox Company covering operations for the year 1949 is submitted herewith.

The consolidated net income from operations and investments for the year amounted to $10,755,370 as compared with $11,028,260 for 1948.

Regular dividends of $4.00 per share were paid during the year and an extra dividend of $3.00 per share was declared payable January 3, 1950.

Sales (dollar value of shipments) during the first half 1949 were at a greater rate, both in physical volume and in value, than in any peace-time period of the Company's history, but production declined during the last half of the year. However the total for the year was approximately the same as in 1948.

The value of orders secured in 1949 was considerably lower than the value of shipments made, resulting in consolidated unfilled orders of $101,100,000 at December 31, 1949 compared with $158,980,000 at the end of 1948. Provision for price adjustment due to fluctuating costs is being continued in the case of contracts for long-term completion. The very large shipments made in 1948 and 1949 resulted from the pent-up demand created by the war; that unusual demand has been largely satisfied and a continued volume at the rate of those two years could not be expected indefinitely.

In common with plants of companies in the steel industry the Beaver Falls, Pa. plant of The Babcock & Wilcox Tube Company was shut down by a strike on October 1, 1949. This strike was settled on November 16th on the general plan used in the steel industry which varies in some respects from the long-established pension and insurance plans of the Company.

Pension payments during 1949 amounted to $206,000. As in the two preceding years, the sum of $500,000 was set aside in a pension reserve which at the end of the year amounted to $1,500,000. Employees were covered by $49,416,000 of group life insurance on December 31, 1949.

In 1949 expenditures for buildings and equipment totaled approximately $2,402,000. Additional expenditures authorized as of December 31, 1949 totaled $2,600,000. During the last four years a total of $14,014,000 has been spent for additional and improved facilities. Without these the large production of the past several years would have been impossible; in addition, they have resulted in lower production costs and will broaden the Company's field.

For many years the Company has maintained a program of research and development for improving and perfecting its products and also for the development of new products. Such research and development has in past years been a large factor in maintaining the Company's leadership in its field. The new laboratory in Alliance, Ohio, equipped with most modern facilities, provides for a continuing program of research.

A general description of the Company's activities is given on pages 9 to 11. This is designed to acquaint stockholders with the diversity and complexity of the products produced.

Mr. John Foster Dulles, a director of the Company since 1933, has resigned from the Board. His understanding of the Company's problems and wise counsel will be greatly missed. Mr. W. G. Dryden has also resigned as a director, but will continue to occupy his positions as Secretary and Treasurer of the Company. Mr. Paul D. Merica, Executive Vice-President of The International Nickel Company of Canada, Limited, and Mr. Stoddard M. Stevens, a member of Sullivan & Cromwell, our general counsel, have been elected to fill the vacancies on the Board.

The Board of Directors and the officers of the Company express their appreciation of the loyalty, effort, and accomplishment of all employees during the year.

By Order of the Board of Directors.

A. G. PRATT,
Chairman.

ALFRED IDDLES,
President.

THE BABCOCK & WILCOX COMPANY

AND WHOLLY OWNED SUBSIDIARY COMPANIES

STATEMENT OF OPERATIONS AND INCOME RETAINED IN THE BUSINESS FOR THE CALENDAR YEAR 1949

(With comparative figures for the year 1948)

	1949	1948
Sales (shipments) - - - - - - - - -	$153,505,552	$149,538,138
Costs and expenses including materials, wages and salaries, taxes other than federal income tax, and depreciation of plants and equipment (depreciation $1,284,393 in 1949 and $1,144,085 in 1948) - - - - - -	136,453,383	132,183,135
	17,052,169	17,355,003
Income from investments - - - - - - - -	1,276,201	1,133,257
	18,328,370	18,488,260
Federal income tax - - - - - - - - -	7,073,000	6,960,000
	11,255,370	11,528,260
Provision for pension reserve - - - - - -	500,000	500,000
Income for the year - - - - - - - - -	10,755,370	11,028,260
Dividends declared (including 5% stock dividend in 1948 which resulted in the transfer of $2,058,518 to capital account and retained in the business) - - - -	4,937,724	5,451,476
Remainder added to income retained in the business - -	5,817,646	5,576,784
Income retained in the business prior to first of year - -	25,038,380	18,538,827
Transfer from reserve for investments - - - - - -		922,769
Income retained in business at end of year per statement of financial condition - - - - - - - - -	$ 30,856,026	$ 25,038,380
The Company's proportion of the net income for the year of companies controlled but not consolidated, less dividends received, was - - - - - - - - -	$ 1,651,803	$ 1,567,371

THE BABCOCK & WILCOX COMPANY

AND WHOLLY OWNED SUBSIDIARY COMPANIES

STATEMENT OF FINANCIAL CONDITION AS AT DECEMBER 31, 1949

(With comparative figures as at December 31, 1948)

	1949	1948
CURRENT ASSETS		
Cash	$12,829,032	$ 5,665,839
U. S. Government securities at cost	1,600,000	1,347,000
Accounts receivable	24,694,558	21,396,278
Unbilled shipments and installations, at contract prices	10,888,686	12,746,064
Inventories at cost, less estimated costs of partial shipments of contract work in progress	19,566,245	25,560,042
Advance payments on contracts (deduct)	(3,447,100)	(6,068,365)
TOTAL CURRENT ASSETS	66,131,421	60,646,858
CURRENT LIABILITIES		
Accounts payable	7,312,152	8,150,766
Accrued liabilities including payrolls, commissions and taxes other than federal income	4,413,148	4,776,386
Dividends payable	2,821,712	705,088
Provision for additional costs on contracts	2,500,000	2,500,000
Federal income tax	7,900,711	8,108,849
TOTAL CURRENT LIABILITIES	24,947,723	24,241,089
NET CURRENT ASSETS (Working Capital)	41,183,698	36,405,769
INVESTMENTS	4,123,121	4,127,087
PENSION RESERVE INVESTMENTS—U. S. Government securities at cost	1,500,000	1,000,000
PROPERTY, PLANT AND EQUIPMENT (schedule attached)	14,572,247	13,486,159
COSTS ALLOCABLE TO FUTURE OPERATIONS	73,959	116,364
PATENTS	1	1
TOTAL ASSETS LESS CURRENT LIABILITIES	61,453,026	55,135,380
DEDUCT		
Reserve for pensions	1,500,000	1,000,000
Excess of assets over liabilities and reserves	$59,953,026	$54,135,380
REPRESENTED BY		
Capital stock, without par value, 1,000,000 shares authorized, 714,598 shares issued	$29,298,518	$29,298,518
Income retained in the business per attached statement	30,856,026	25,038,380
	60,154,544	54,336,898
Less capital stock acquired, 9,040 shares at cost	201,518	201,518
	$59,953,026	$54,135,380

THE BABCOCK & WILCOX COMPANY

And Wholly Owned Subsidiary Companies

PROPERTY, PLANT AND EQUIPMENT

	1949	1948
Cost		
At beginning of year	$33,196,899	$30,880,277
Expenditures during year	2,402,386	3,199,503
Retired or sold during year	(705,333)	(882,881)
At end of year	34,893,952	33,196,899
Depreciation and Amortization		
At beginning of year	19,710,740	19,438,597
Charged to operations during year	1,284,393	1,144,085
Accumulated on property retired or sold during year	(673,428)	(871,942)
At end of year	20,321,705	19,710,740
Net book value	$14,572,247	$13,486,159

To the Board of Directors of
The Babcock & Wilcox Company:

In our opinion, the accompanying financial statements present fairly the position of The Babcock & Wilcox Company and wholly owned subsidiary companies at December 31, 1949 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of such statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

Price, Waterhouse & Co.

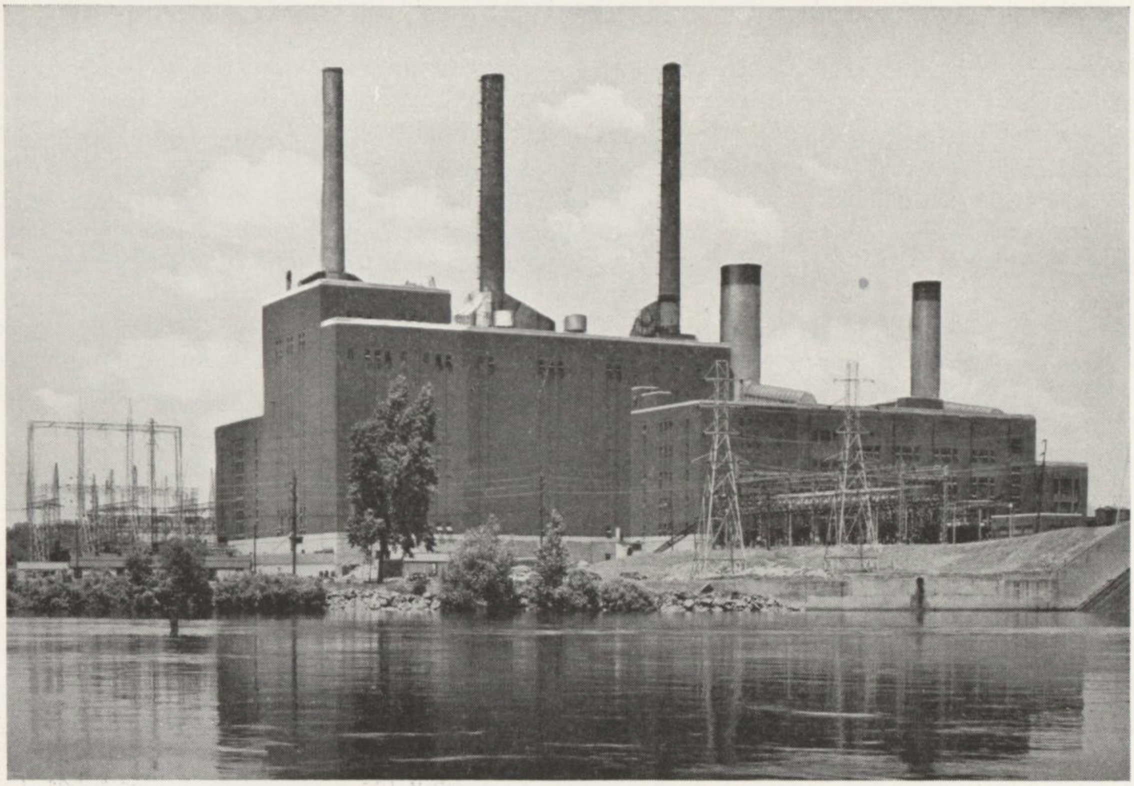
New York,
February 21, 1950

WHAT YOUR COMPANY DOES

THE BABCOCK & WILCOX COMPANY grew out of a partnership formed in 1867 by two Americans, George Babcock and Stephen Wilcox. Those men developed a water-tube boiler which was much safer and had greater steaming capacity than boilers previously obtainable. In the eighty-three years since then, the Company has expanded greatly and has broadened its field of activities so that now its products are separated into five main groups — stationary boilers, marine boilers, tubes, special products and refractories.

STATIONARY BOILERS

Stationary boilers such as the Company manufactures are highly complex and most of them are specially designed to serve the purposes for which they are to be used. Steam supplied by these boilers is used to produce power and it is also used in many industrial processes including the manufacture of steel, automobiles, petroleum products, paper, rubber, foods, chemicals and textiles. The Company builds boilers ranging in size from eight feet high to as high as a 14-story building. These larger sized boilers are installed in public utility power plants generating electricity. Some require as much as 85 miles of tubes and furnish 1,300,000 pounds of steam an hour by burning about 60 tons of coal per hour. Alone, one of these boilers could supply steam to produce electricity for an average city of 350,000 people.



Steam from B&W boilers is used in Central Stations to generate electricity. The station pictured above will supply the light and power needs of 750,000 homes. The Company builds boilers ranging in size from eight feet high to as high as a 14-story building.

The transatlantic liner S. S. America shown above is equipped with B&W boilers. B&W also supplies boilers for a wide variety of ships in both the Navy and Merchant Marine ranging from tug boats to the largest battleships and aircraft carriers.

MARINE BOILERS

Marine boilers differ from stationary boilers in many of their essential characteristics due to the special requirements of marine service. These requirements are brought about by the rolling and pitching of the ship at sea, exceedingly restrictive space and weight limitations, unusual vibration and shock conditions, excessive temperatures and humid atmospheres and by other rigorous conditions of operation which are seldom, if ever, encountered in land applications. And yet under these severe conditions marine boilers must be thoroughly reliable and efficient.

Babcock & Wilcox built its first marine boiler in 1875. Since then it has produced a wide variety of marine boilers for many types of ships. In the Merchant Marine, installations range from those in small tug boats to large cargo ships, tankers, and the largest passenger ships. In the Navy, mine sweepers, destroyers, cruisers, battleships and aircraft carriers have been equipped with B&W boilers of various sizes and designs.

TUBES

The Babcock & Wilcox Tube Company, a wholly owned subsidiary, manufactures seamless steel tubes and pipe in a complete range of carbon and alloy steel analyses. These are made by piercing hot billets and when very close tolerances are required they are further processed by cold drawing. Sizes range from ½ inch to 8⅝ inches in diameter. It also manufactures welded tubes, both carbon and alloy, from ¾ inch to 4 inches in diameter.

Acquired to provide the Company with a source of supply for high-quality boiler tubes, the larger part of the output is now used for many other industrial purposes. These include the automobile, airplane, bearing, chemical, food, furniture, oil refining and paper industries.

SPECIAL PRODUCTS

B&W's experience in engineering and manufacturing boilers has led to the production of many other specially designed products. These include catalytic reactors, fractionators and gasoline towers for the petroleum industry, digesters for the paper industry, pressure vessels and heat exchangers for a wide variety of applications. In addition, steel and alloy castings are supplied to numerous industries. Recently B&W designed and built a 150-ton high-pressure steel drum, 36 feet long, 8 feet in diameter, with walls 4 inches thick, for testing special Navy equipment at a pressure equal to that found at half-mile depth in the ocean.

REFRACTORIES

Refractories are heat-resistant substances used in the lining of furnaces. The Company manufactures bricks, blocks, special shapes, mortars, plastics and insulating materials, all of which will withstand high temperatures. They are used in boilers and in industrial furnaces by steel mills, glass manufacturers and most industries that utilize heat in manufacturing processes. They are also used in domestic oil burner furnaces.

RESEARCH

In addition to a large number of research projects applying to the Company's existing products which are under way at the Alliance Laboratory, a long-term program for new developments is being followed.

The Babcock & Wilcox Company is also actively associated with the development and application of atomic energy for the generation of power.

B&W builds many special products such as this 100-foot tower used in the petroleum industry. B&W tubes and refractories are widely used in this and many other industries.

BABCOCK & WILCOX PRODUCTS

- B&W Water-Tube Boilers
- Stirling Water-Tube Boilers
- Type H Stirling Water-Tube Boilers
- Integral-Furnace Boilers
- Waste-Heat Boilers
- B&W Marine Water-Tube Boilers
- B&W Express-Type Marine Boilers
- Bailey Water-Cooled Furnaces
- Superheaters
- Attemperators
- Economizers
- Air Heaters
- Pulverized-Coal Equipment
- Chain-Grate Stokers
- Oil Burners
- Gas Burners
- Multifuel Burners
- Stacks and Breechings
- Seamless and Welded Steel Tubes and Pipe
- Seamless and Welded Stainless Steel Tubes
- Seamless Alloy Tubes and Pipe
- Seamless Toncan Iron Tubes
- Alloy Pipe Fittings
- Refractories
  - B&W 80 Firebrick
  - B&W Junior Firebrick
  - B&W Insulating Firebrick
  - B&W Refractory Mortars, Plastics, and Castables
- Process Equipment
  - Pressure Vessels
  - Tubular Products
  - Alloy Castings
- B&W Recovery Processes for the Pulp Industry
- Pulverizers for Cement Materials, Rock Products, and Ores
- Elverite Castings
- Adamantine Castings

The Babcock & Wilcox Company—
Works:-Barberton, Ohio; Alliance, Ohio; Augusta, Georgia
Research and Development Laboratories:- Alliance, Ohio

The Babcock & Wilcox Tube Company—
Works:- Beaver Falls, Pa.; Alliance, Ohio

BRANCH OFFICES AND REPRESENTATIVES

Atlanta 3, Ga. - - - Candler Bldg.
Boston 10, Mass. - - - 49 Federal St.
Charlotte 2, N. C. - Liberty Life Bldg.
Chicago 3, Ill. - - - 105 S. LaSalle St.
Cincinnati 2, Ohio - - - Carew Tower
Cleveland 14, Ohio - Nat'l City Bk. Bldg.
Dallas 1, Texas - - - - M&W Tower
Denver 2, Colo. - - 1720 California St.
Detroit 26, Mich. - - - - Ford Bldg.
Galveston, Texas - - - Guaranty Bldg.
Houston 2, Texas - Nat'l Standard Bldg.
Los Angeles 13, Calif. - Richfield Bldg.
Minneapolis 2, Minn. - Northwest. Bk. Bldg.
New Orleans 7, La. - Whitney Bank Bldg.
New York 6, N. Y. - - - 85 Liberty St.
Philadelphia 2, Pa. - - - Packard Bldg.
Phoenix 1, Arizona - - Luhrs Building
Pittsburgh 19, Pa. - - - Koppers Bldg.
Portland 4, Ore. - - - Failing Bldg.
St. Louis 3, Mo. - - - - - - Shell Bldg.
Salt Lake City 1, Utah - Kearns Bldg.
San Francisco 5, Calif. - 450 Mission St.
Seattle 4, Wash. - - - Smith Tower
Syracuse 2, N. Y. - - State Tower Bldg.
Washington 6, D. C. - - Barr Building
San Juan 15, Puerto Rico - P. O. Box 3334
Havana, Cuba - - - - Apartado 109
Honolulu 2, Hawaii - - P. O. Box 2990
Manila, R. P. - Tacoma & 2nd St., Port Area

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